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May 19, 2005

Laura Auletta  
Executive Director  
Acquisition Advisory Panel  
Office of Management and Budget  
Washington, D.C. 20503

Subject: CONTRACT CONSULTANTS' PRESENTATION TO THE ACQUISITION  
PANEL ON MONDAY, MAY 23, 2005

Dear Ms Auletta,

Thanks for inviting me to participate in the upcoming panel. While I do not plan to have any handouts, I thought the courtesy of an advance copy of my prepared statement might be helpful to you. It follows:

Hello. My name is Julianne Moore. It is a pleasure to be invited to address this panel. I am half owner and CEO of Contract Consultants, Inc. I have brought with me my business partner and President of Contract Consultants, Luella Kranz and Leighton Waters, Director of Government Operations. Contract Consultants is a small, minority owned women owned 8a business. We've been in business 9 ½ years. Both Luella and I have long histories in Government contracting.

We both were Warranted Contracting Officers with GSA and the Resolution Trust Corporation. I have been the CO for GSA Schedules, service contracts, requirement contracts and with the RTC, multimillion dollar Asset contracts. In addition, both Luella and I have been Administrating Contracting Officers for a myriad of service contracts. Luella was the Director of the Regional Acquisition Management Staff and Leighton was Deputy Regional Administrator for GSA in the Fort Worth Region, serving as the Competition in Contracting Act (CICA) Advocate, among other duties. I mention our Government experience in order for you to understand that we approach our relationship with various agencies from a rare perspective. We've been on both sides.

Since we formed our company, we have been very involved with Government contracting and, in fact, probably owe most of our success to understanding how to deal with the Government. I have to say, sitting on the "contractor" side of the fence is different. I always say that I would have been a much better CO if I had had some experience on the other side.

Contract Consultants currently has a GSA schedule contract for Temporary and Professional Services. In addition, we have similar IDIQ contracts with the Corps of Engineers, the Forest Service, and with the VA. Because we are an 8a contractor and because of our contracting backgrounds, we have been very successful in negotiating sole-source contracts; however, we have not been as successful going up against the “big guys”. Often the Technical Panel is hesitant in awarding a small company a contract when there is a larger company with a recognized name that is also vying for the award. The small business’s proposal is often times not as impressive as a large firm. We have been the “sub” on several large proposals where the larger business would have a whole team of employees putting together the proposal. In our early days, it was up to me to put together all of our proposals. Now, Leighton writes most of proposals but even so, we still have only one person, with occasional help from one or two others, to put together our proposals. We don’t really blame the Technical Panel with being more impressed with a “pretty proposal” and the larger firm having more experience in the specific tasks but the smaller company generally has higher level employees assigned to the contract. In our company, Luella, Leighton or I are involved in the startup of every Federal contract. In my experience with RTC, when we contracted with Arthur Anderson, Pete Marwick or some of the other large firms, we were generally dealing with employees straight out of college. The Technical Panels finally wised up and toward the latter years of RTC’s existence, most of the contracts, even the really large ones, were being awarded to small to middle-range firms.

CCI has been used in conjunction with the Small Business Subcontracting Plan for larger firms. Without exception, we have never received one dollar of business from these proposals. We are never even notified whether or not an award was made. There does not seem to be any consequence for company’s who do not make their goal. My suggestion is that if a small business is part of an awarded contract, they should be notified of the award and the winning prime should have to use the sub identified in the proposal unless there are extenuating circumstances.

Most of our contracting experience has been positive; however, we like most small businesses, continually struggle with “cash-flow” issues. That is probably the one most frustrating thing about dealing with the Government. Most CO’s or Accounts Payable Government employees don’t really understand the “life blood” importance of getting invoices paid. Even with the Prompt Payment Act we don’t generally get paid in 30 days because the clock starts ticking at the latter of the dates when the Finance office receives a valid invoice and the approving office submits a receiving report certifying that services were actually provided. A receiving report that falls to the bottom of an in-box in Del Rio, Texas, where a one clerical-person office reviews and certifies the invoice for payment can be lost for weeks or months unless we devote additional staff resources to constantly following up on what we consider to be overdue invoices. This extra cost is passed on to the government in future years as it drives up our G&A costs.

In our business, we have to pay employees on a weekly basis and while most of our invoices are also weekly, we are banking the Government for a minimum of 7 days before the 30 day clock begins. On our monthly invoicing contracts, we float the

government for 30 days before invoicing and can only hope that the payment comes in before we go over 60 days from when we first incurred expenses. By the way, the FAR doesn't permit us to include interest payments in our G&A computation because "the government pays promptly" so interest is an expense we can only absorb.

Another significant cost item to small businesses results from the Government's emphasis on having vendors accept credit cards. Until recently, when a customer paid us by credit card, our process was to call our bank's 800 number and provide the necessary details to an automated system. Sounds simple enough until you think of the error possibilities of having people enter 20 digit numbers and codes over a numerical phone pad. But the real bottom-line impact for a small business is the 6% fee paid to the bank and credit card company. An invoice for \$1000 only netted us \$940. When you try to compete in a business with a 3% or less profit margin, that 6% cuts more than just deep. A partial solution was to make a significant investment to upgrade our website into a secure website, and to pay a third-party Internet Merchant Account through a system-compatible firm a monthly fee plus 2.3% of each invoice. When the solicitation states that payment will be by credit card, we have to price that cost into our proposal. When we're bidding against similar size firms, that cost is passed on to the government. When we're bidding against large firms, their volume of transactions gives them a much more desirable rate and adds to our competitive disadvantage. Ultimately, whether contracts go to large or small firms, the cost of credit card payments to banks and financial service firms adds cost to government procurement.

Beyond these financial issues, one of the biggest problems occurs when contracting officers delay key dates. By example, two years ago we were bidding on a large contract to provide 25 people to a Federal agency. The solicitation was issued in early May and required a very short and a very hard date for proposals, and that date did not slip. Proposals were due on July 1, 2003. The solicitation stated that a decision would be made by July 15 and the winning contractor would have to be fully operational by August 1, 2003. The solicitation required us to identify the key people who would lead our 25 person team. With firm dates in mind, we identified top candidates for the key positions; but the contracting officer kept slipping the due date. Our key people were struggling with other firm offers and trying to decide if they wanted to stay with us or go for the 'bird in the hand.' After 45 days, and considerable angst, we were informed that we did not win the contract. Somebody with a better reputation (Booz Allen) was a higher bidder than us; but a no-lose option for the selection panel and contracting officer. In the interim, several key people that we had lined up had turned down job offers they would have gladly accepted if the contracting officer had adhered to his published schedule. Small businesses, nor the government, can afford the cost of having expert staff just sitting on the shelf and waiting for contracts. The impact on the lives of those who turned down other jobs was significant. Plus, none have been interested in being part of other proposals from our firm after that experience.

When we were government officials, we were all in roles where contracting officers would advise us when and why they were slipping the award dates. The "excuses" ranged from poor planning in the first part, to inexperienced political appointees pushing

aggressive and unrealistic milestone dates, to personal conflicts with vacations, conferences, and ceremonial activities. Regrettably, almost any “excuse” worked on us as we had no comprehension of the impact of those delays on the vendors we called our partners. None of us would make that mistake again because we now know what schedule delays do to costs, and to lives.

One last issue should be addressed. Our firm was granted its status as a SBA 8(a) certified Small and Disadvantaged Business in April 1998. We are in the last three, or transitional years, of that 9 year status, and we have an aggressive plan to develop the ability to compete in a full and open environment. This program has helped us very much to get our feet on the ground, to grow into a \$10 million a year firm, to develop the office and staff infrastructure necessary to obtain and deliver contractual services. In addition to our Federal customers, we also have a number of private sector firms with which we do business. The system has worked for us and we have no regrets.

However, we continue to be puzzled by the existence of numerous 8(a) firms who have, by changing family ownership or corporate name or the other, have been in existence for over 30 years. In various excellent conferences hosted by SBA, successful entrepreneurs are introduced or serve as speakers to detail their successes. The puzzling and frustrating aspect is how they brag about inheriting the 8(a) status from their Father and how they plan to pass it on to their children. It is also puzzling to listen to stories of firms we compete against in NAICS codes with \$11 million average revenue limits, and hear them talk about their \$100 million in annual revenue. One thing you could do to help other firms grow and develop the infrastructure and experience necessary to compete, would be to look at the apparently legal loopholes that allow 8(a) firms to exist far beyond their nine year life and to continue to benefit from non-competitive set-asides.

All in all, our experience in working with the Government has been wonderful. Most Government employees that we have come into contact with are hardworking and diligent. We certainly sympathize with their heavy workload. We especially like placing retired Federal employees in contract employee positions in the Government where their expertise can be appreciated and the government’s long term investment in developing their skills can be retained. There appears to be ample opportunities for business as the Government leans more and more toward “contracting out”. We would appreciate contracting officer and technical panels being trained to look closely at small businesses. We have lots of experience to offer the Government and would appreciate the opportunity to use it.

Thank you for listening.



Julienne Moore  
Chief Executive Officer